

**REPORT OF THE AUDIT OF THE
LARUE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LARUE COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the LaRue County Fiscal Court for fiscal year ended June 30, 2009.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of LaRue County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$9,808,265 as of June 30, 2009. The fiscal court had unrestricted net assets of \$1,271,497 in its governmental activities as of June 30, 2009, with total net assets of \$9,795,615. In its business-type activities, total net cash and cash equivalents were \$12,650, with total net assets of \$12,650. The fiscal court had total debt principal as of June 30, 2009 of \$2,560,037 with \$256,105 due within the next year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities as of June 30, 2009. However, at August 31, 2008, the fiscal court deposits were unsecured by \$147,420.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Tommy Turner, LaRue County Judge/Executive

Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the LaRue County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, LaRue County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The Budgetary comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LaRue County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2009, on our consideration of LaRue County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

December 14, 2009

LARUE COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Tommy Turner	County Judge/Executive
William Bryan Durham	Magistrate
William L. Miller	Magistrate
Peggy B. Hawkins	Magistrate
Edward Scotty Lee	Magistrate

Other Elected Officials:

Dale Morris	County Attorney
Ralph Mac Trumbo	Jailer
Linda Carter	County Clerk
Larry Bell	Circuit Court Clerk
Bobby Shoffner	Sheriff
James Q. Shaw	Property Valuation Administrator
Todd Skaggs	Coroner

Appointed Personnel:

Lauralene Reed	County Treasurer
Renee Strock	Administrative Assistant
Kathy Oveson	Administrative Assistant
Timmy Brown	Road Supervisor
Clara Mae Druen	911 Administrator
Travis Strader	Jail Administrative Assistant

LARUE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

LARUE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,271,497	\$ 12,650	\$ 1,284,147
Note Receivable	20,000		20,000
Total Current Assets	1,291,497	12,650	1,304,147
Noncurrent Assets:			
Note Receivable	1,012,000		1,012,000
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,107,499		1,107,499
Buildings	3,940,343		3,940,343
Other Equipment	394,575		394,575
Vehicles and Equipment	313,386		313,386
Infrastructure	4,296,352		4,296,352
Total Noncurrent Assets	11,064,155		11,064,155
Total Assets	12,355,652	12,650	12,368,302
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	101,105		101,105
General Obligation Bonds Payable	95,000		95,000
Revenue Bonds Payable	60,000		60,000
Total Current Liabilities	256,105		256,105
Noncurrent Liabilities:			
Financing Obligations Payable	1,183,932		1,183,932
General Obligation Bonds Payable	1,060,000		1,060,000
Revenue Bonds Payable	60,000		60,000
Total Noncurrent Liabilities	2,303,932		2,303,932
Total Liabilities	2,560,037		2,560,037
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	8,524,118		8,524,118
Unrestricted	1,271,497	12,650	1,284,147
Total Net Assets	\$ 9,795,615	\$ 12,650	\$ 9,808,265

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,379,184	\$ 81,461	\$ 436,165	\$
Protection to Persons and Property	1,967,270	1,956,327	171,412	
General Health and Sanitation	200,413			
Social Services	19,696			
Recreation and Culture	351,058			
Roads	994,009		1,091,739	
Debt Service	298,938			
Total Governmental Activities	5,210,568	2,037,788	1,699,316	
Business-type Activities:				
Jail Canteen	239,422	236,319		
Total Business-type Activities	239,422	236,319		
Total Primary Government	\$ 5,449,990	\$ 2,274,107	\$ 1,699,316	\$

General Revenues:

Taxes:

 Real Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Insurance Recovery On Capital Asset -

Net of Impairment

 Total General Revenues and Transfers

 Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (861,558)	\$	\$ (861,558)
160,469		160,469
(200,413)		(200,413)
(19,696)		(19,696)
(351,058)		(351,058)
97,730		97,730
(298,938)		(298,938)
(1,473,464)		(1,473,464)
	(3,103)	(3,103)
	(3,103)	(3,103)
(1,473,464)	(3,103)	(1,476,567)
782,295		782,295
150,823		150,823
278,031		278,031
120,225		120,225
50,933	53	50,986
309,548		309,548
29,000		29,000
1,720,855	53	1,720,908
247,391	(3,050)	244,341
9,548,224	15,700	9,563,924
\$ 9,795,615	\$ 12,650	\$ 9,808,265

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

LARUE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,083,586	\$ 48,606	\$ 139,304	\$ 1	\$ 1,271,497
Total Assets	<u>\$ 1,083,586</u>	<u>\$ 48,606</u>	<u>\$ 139,304</u>	<u>\$ 1</u>	<u>\$ 1,271,497</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 404	\$	\$	\$	\$ 404
Unreserved:					
General Fund	1,083,182				1,083,182
Special Revenue Funds		48,606	139,304		187,910
Debt Service Fund				1	1
Total Fund Balances	<u>\$ 1,083,586</u>	<u>\$ 48,606</u>	<u>\$ 139,304</u>	<u>\$ 1</u>	<u>\$ 1,271,497</u>

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances	1,271,497
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	17,787,834
Accumulated Depreciation	(7,735,679)
Receivables Reported At The Government-Wide Level Are Not Current Financial	
Resources And Therefore Are Not Reported In The Funds	1,032,000
Long-term debt is not due and payable in the current period and, therefore, is not	
reported in the funds.	
Financing Obligations	(1,285,037)
Bonded Debt	(1,275,000)
Net Assets Of Governmental Activities	<u>9,795,615</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

LARUE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road and Bridge Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,208,535	\$	\$	\$	\$ 1,208,535
In Lieu Tax Payments	2,616				2,616
Excess Fees	120,225				120,225
Licenses and Permits	79,061				79,061
Intergovernmental	572,624	1,091,738	1,599,018		3,263,380
Charges for Services	373,707		18,554		392,261
Miscellaneous	253,744	15,636	42,568		311,948
Interest	43,539	6,176	1,218		50,933
Total Revenues	<u>2,654,051</u>	<u>1,113,550</u>	<u>1,661,358</u>		<u>5,428,959</u>
EXPENDITURES					
General Government	572,025				572,025
Protection to Persons and Property	704,996		1,302,213		2,007,209
General Health and Sanitation	192,787				192,787
Social Services	13,477				13,477
Recreation and Culture	345,764				345,764
Roads		907,754			907,754
Debt Service	232,704		12,763	207,868	453,335
Administration	549,854	157,190	232,045		939,089
Total Expenditures	<u>2,611,607</u>	<u>1,064,944</u>	<u>1,547,021</u>	<u>207,868</u>	<u>5,431,440</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>42,444</u>	<u>48,606</u>	<u>114,337</u>	<u>(207,868)</u>	<u>(2,481)</u>
Other Financing Sources (Uses)					
Insurance Recovery On Capital Asset	30,000				30,000
Financing Obligation Proceeds	38,958				38,958
Transfers From Other Funds			176,433	207,866	384,299
Transfers To Other Funds	(176,433)		(207,866)		(384,299)
Total Other Financing Sources (Uses)	<u>(107,475)</u>		<u>(31,433)</u>	<u>207,866</u>	<u>68,958</u>
Net Change in Fund Balances	(65,031)	48,606	82,904	(2)	66,477
Fund Balances - Beginning	1,148,617		56,400	3	1,205,020
Fund Balances - Ending	<u>\$ 1,083,586</u>	<u>\$ 48,606</u>	<u>\$ 139,304</u>	<u>\$ 1</u>	<u>\$ 1,271,497</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

LARUE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 66,477
<p>Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	413,914
Depreciation Expense	(419,010)
Net Book Value of Capital Asset Disposed	(1,000)
<p>Payment on receivables provide current financial resources to Governmental Funds, while at the Government-wide level, a reduction of the receivable occurs. These transactions have no effect on net assets.</p>	
Receivable from LaRue County Golf Association	(20,000)
Removal of Receivable from Lincoln Museum, Inc.	(165,000)
<p>The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.</p>	
Financing Obligation Proceeds	(38,958)
<p>Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.</p>	
Removal Of Financing Obligations Principal Payments To Lincoln Museum, Inc.	165,000
Financing Obligations Principal Amount	100,968
Bond Payments	145,000
Change in Net Assets of Governmental Activities	<u>\$ 247,391</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

LARUE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 12,650
Total Current Assets	<u>12,650</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	12,650
Total Net Assets	<u><u>\$ 12,650</u></u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

LARUE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 117,752
Total Operating Revenues	<u>117,752</u>
Operating Expenses	
Cost of Sales	150,865
Educational and Recreational	<u>6,888</u>
Total Operating Expenses	<u>157,753</u>
Operating Income (Loss)	<u>(40,001)</u>
Nonoperating Revenues (Expenses)	
Interest Income	53
Inmate Pay From State	16,523
Inmate Account	97,244
Other Receipts	4,800
Inmate State Payroll	(4,596)
Inmate Refunds	(69,740)
Jail Bond and Booking Fees	(2,798)
Inmate Medical Fees	(3,608)
Miscellaneous	<u>(927)</u>
Total Nonoperating Revenues (Expenses)	<u>36,951</u>
Change In Net Assets	(3,050)
Total Net Assets - Beginning	<u>15,700</u>
Total Net Assets - Ending	<u><u>\$ 12,650</u></u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 117,752
Cost of Sales	(150,865)
Educational and Recreational	(6,888)
Net Cash Provided By Operating Activities	(40,001)
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	16,523
Inmate Account	97,244
Other Receipts	4,800
Inmate State Payroll	(4,596)
Inmate Refunds	(69,740)
Jail Bond and Booking Fees	(2,798)
Inmate Medical Fees	(3,608)
Miscellaneous	(927)
Net Cash Provided By Noncapital Financing Activities	36,898
Cash Flows From Investing Activities	
Interest Earned	53
Net Cash Provided By Investing Activities	53
Net Increase (Decrease) in Cash and Cash Equivalents	(3,050)
Cash and Cash Equivalents - July 1	15,700
Cash and Cash Equivalents - June 30	\$ 12,650
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ (40,001)
Net Cash Provided By Operating Activities	\$ (40,001)

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of LaRue County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Based upon the application of the criteria stated in GASB 14 and 39, management has included the LaRue County Building Commission Corporation as a component unit of LaRue County Fiscal Court. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

LaRue County Building Commission Corporation

The Building Commission Corporation (Corporation) was created for the financing and construction of a courthouse facility. Fiscal Court has the authority to appoint a voting majority of the Corporation's board of directors and was deemed a component unit of the County. Financial information for the corporation is blended within LaRue County's financial statements and is presented as the Courthouse Improvements Bond 1998 and 1999.

C. Larue County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting LaRue County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of LaRue County, Kentucky.

Additional – LaRue County Elected Officers

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: LaRue County Courthouse Improvements Bond Funds - 1998 and 1999.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road and Bridge Fund and Jail Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Courthouse Improvements Bond Fund – 1999 and Courthouse Improvements Bond Fund – 1998 are presented as debt service funds. Debt service funds are to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-15
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the LaRue County Building Commission Corporation to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the Jail Fund to comply with these requirements.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of LaRue County Fiscal Court: LaRue County Extension Service, LaRue County Health Department, and LaRue County Library.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. LaRue County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2008, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$147,420 of public funds uninsured and unsecured.

Note 3. Receivables

A. The Lincoln Museum, Inc.

On May 23, 2002, the LaRue County Fiscal Court entered into a lease-purchase agreement with Kentucky Area Development Districts (KADD) Financing Trust in the amount of \$285,000 for the renovation of the Abraham Lincoln Museum. Proceeds were paid directly to The Lincoln Museum, Inc. The Lincoln Museum, Inc. makes lease payments directly to the Trust to pay interest and principal of the obligation. As of December 8, 2008, the LaRue County Fiscal Court was released from the liability of this lease-purchase agreement and The Lincoln Museum, Inc. was determined to be solely responsible for this lease-purchase agreement. Therefore, the LaRue County Fiscal Court no longer has a receivable and the corresponding debt related to this lease-purchase agreement.

B. The LaRue County Golf Association, Inc.

On October 1, 2007, the LaRue County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$1,072,000 for the renovation of the LaRue County Golf Association's Golf Course. Proceeds were paid directly to the LaRue County Golf Association, Inc. The LaRue County Golf Association, Inc. makes lease payments directly to the Trustee (US Bank) for principal and interest of the obligation. The receivable reflects the principal amount due from The LaRue County Golf Association, Inc. of \$1,032,000 outstanding as of June 30, 2009. The receivable amount corresponds to The LaRue County Golf Association, Inc. outstanding liability as of the end of the year.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,107,499	\$	\$	\$ 1,107,499
Total Capital Assets Not Being Depreciated	1,107,499			1,107,499
Capital Assets, Being Depreciated:				
Buildings	8,251,167			8,251,167
Other Equipment	1,276,609	71,400		1,348,009
Vehicles and Equipment	717,750	253,002	(30,000)	940,752
Infrastructure	6,050,895	89,512		6,140,407
Total Capital Assets Being Depreciated	16,296,421	413,914	(30,000)	16,680,335
Less Accumulated Depreciation For:				
Buildings	(4,171,401)	(139,423)		(4,310,824)
Other Equipment	(896,090)	(57,344)		(953,434)
Vehicles and Equipment	(581,863)	(74,503)	29,000	(627,366)
Infrastructure	(1,696,315)	(147,740)		(1,844,055)
Total Accumulated Depreciation	(7,345,669)	(419,010)	29,000	(7,735,679)
Total Capital Assets, Being Depreciated, Net	8,950,752	(5,096)	(1,000)	8,944,656
Governmental Activities Capital Assets, Net	\$ 10,058,251	\$ (5,096)	\$ (1,000)	\$ 10,052,155

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 70,278
Protection to Persons and Property	117,484
General Health and Sanitation	7,626
Recreation and Culture	5,294
Social Services	6,219
Roads, Including Depreciation of General Infrastructure Assets	<u>212,109</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 419,010</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series of 1998

The LaRue County Building Commission Corporation issued \$630,000 of First Mortgage Revenue Bonds, Series of 1998, dated October 1, 1998, at 4.10% interest rate for the purpose of discharging the First Mortgage Revenue Bonds, Series 1991 bonds which were issued to construct a courthouse facility.

Bond principal and interest requirements of the Jail Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 60,000	\$ 4,920
2011	60,000	2,460
Totals	<u>\$ 120,000</u>	<u>\$ 7,380</u>

B. General Obligation Improvement Bonds, Series of 1999

The LaRue County Fiscal Court issued \$1,910,000 of General Obligation Improvement Bonds, Series of 1999, dated January 1, 1999, at various interest rates for the purpose of construction of courthouse facilities.

Bond principal and interest requirements of the Courthouse Improvements Bond Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 95,000	\$ 51,910
2011	100,000	47,920
2012	105,000	43,620
2013	105,000	39,000
2014	110,000	34,275
2015-2019	<u>640,000</u>	<u>91,195</u>
Totals	<u>\$ 1,155,000</u>	<u>\$ 307,920</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

C. Jail Annex

On June 22, 1992, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the construction of a 30-bed jail annex. The principal was \$164,00 at 5.409% interest for a period of 20 years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2010	\$ 12,000	\$ 1,301
2011	12,000	814
2012	13,000	309
Totals	<u>\$ 37,000</u>	<u>\$ 2,424</u>

D. Road Garage Property

On September 12, 1997, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of property for the road garage. The principal was \$385,000 at 4.25% interest for a period of 15 years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 30,760	\$ 3,502
2011	31,975	2,331
2012	33,239	1,116
2013	8,513	84
Totals	<u>\$ 104,487</u>	<u>\$ 7,033</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

E. Sheriff's Vehicles

On February 26, 2004, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of two Sheriff vehicles. The principal was \$49,851 at 2.245% interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 6,083	\$ 99
Totals	<u>\$ 6,083</u>	<u>\$ 99</u>

F. Dump Truck

On February 26, 2004, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a Sterling Dump Truck, salt spreader, and snow plow. The principal was \$74,617 at 2.245% interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 10,080	\$ 176
Totals	<u>\$ 10,080</u>	<u>\$ 176</u>

G. Loader

On April 18, 2006, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a Rubber Tired Loader including Fork and Broon attachments. The principal was \$94,317 at 3.69% interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 15,000	\$ 2,227
2011	15,000	1,567
2012	15,000	908
2013	<u>14,317</u>	<u>71</u>
Totals	<u>\$ 59,317</u>	<u>\$ 4,773</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

H. Golf Course Renovations

On October 1, 2007, the LaRue County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$1,072,000 for the renovation of the LaRue County Golf Association's Golf Course. These payments are to be made by The LaRue County Golf Association, Inc. As of June 30, 2009, the principal outstanding was \$1,032,000. The debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 20,000	\$ 51,607
2011	20,000	50,609
2012	25,000	49,430
2013	25,000	48,274
2014	25,000	47,033
2015-2019	155,000	214,717
2020-2024	195,000	170,221
2025-2029	250,000	116,029
2030-2034	317,000	45,453
Totals	<u>\$ 1,032,000</u>	<u>\$ 793,373</u>

I. Emergency Medical Services Vehicles

On January 26, 2009, the LaRue County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of vehicles for the Emergency Management Services (EMS). The principal was \$38,958 at various interest rates for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 7,182	1587
2011	7,549	1271
2012	7,936	951
2013	8,341	613
2014	5,062	196
Totals	<u>\$ 36,070</u>	<u>\$ 4,618</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

J. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,245,000	\$	\$ 90,000	\$ 1,155,000	\$ 95,000
Revenue Bonds	175,000		55,000	120,000	60,000
Financing Obligations	<u>1,512,047</u>	<u>38,958</u>	<u>265,968</u>	<u>1,285,037</u>	<u>101,105</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 2,932,047</u>	<u>\$ 38,958</u>	<u>\$ 410,968</u>	<u>\$ 2,560,037</u>	<u>\$ 256,105</u>

Note 6. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$63,731 in interest on financing obligations and \$62,865 in interest on bonds and notes.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$302,354, FY 2008 was \$360,304, and FY 2009 was \$346,522 respectively, and represents the required contribution amounts.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Employee Retirement System (Continued)

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On February 24, 2000, the LaRue County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2009, LaRue County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Prior Period Adjustment

The beginning long-term liability balance has been restated due to the LaRue County Golf Association financing obligation that was not included in the prior year balance. The effect on the long-term liability beginning balance is an increase in the amount of \$1,052,000. There was no effect on the beginning net asset balance from this adjustment due to an offsetting note receivable.

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,103,175	\$ 1,103,175	\$ 1,208,535	\$ 105,360
In Lieu Tax Payments	1,450	1,450	2,616	1,166
Excess Fees	143,390	143,390	120,225	(23,165)
Licenses and Permits	70,000	70,000	79,061	9,061
Intergovernmental Revenue	1,591,000	1,961,078	572,624	(1,388,454)
Charges for Services	426,000	426,000	373,707	(52,293)
Miscellaneous	42,500	72,500	89,998	17,498
Interest	42,500	42,500	43,539	1,039
Total Revenues	3,420,015	3,820,093	2,490,305	(1,329,788)
EXPENDITURES				
General Government	749,850	844,197	572,025	272,171
Protection to Persons and Property	939,900	1,027,175	704,996	322,179
General Health and Sanitation	1,147,400	1,229,920	192,787	1,037,133
Social Services	20,700	21,080	13,477	7,603
Recreation and Culture	105,000	355,807	345,764	10,044
Debt Service			38,958	(38,958)
Administration	730,700	665,072	549,854	115,218
Total Expenditures	3,693,550	4,143,251	2,417,861	1,725,391
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(273,535)	(323,158)	72,444	395,602
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			38,958	38,958
Transfers To Other Funds			(176,433)	(176,433)
Total Other Financing Sources (Uses)			(137,475)	(137,475)
Net Changes in Fund Balance	(273,535)	(323,158)	(65,031)	258,127
Fund Balance - Beginning	273,535	341,535	1,148,617	807,082
Fund Balance - Ending	\$ 0	\$ 18,377	\$ 1,083,586	\$ 1,065,209

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,270,694	\$ 1,270,694	\$ 1,091,738	\$ (178,956)
Charges for Services	1,500	1,500		(1,500)
Miscellaneous	16,000	16,000	15,636	(364)
Interest	3,500	3,500	6,176	2,676
Total Revenues	<u>1,291,694</u>	<u>1,291,694</u>	<u>1,113,550</u>	<u>(178,144)</u>
EXPENDITURES				
Roads	1,085,394	1,124,182	907,754	216,428
Administration	206,300	167,512	157,190	10,322
Total Expenditures	<u>1,291,694</u>	<u>1,291,694</u>	<u>1,064,944</u>	<u>226,750</u>
Net Changes in Fund Balance			48,606	48,606
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,606</u>	<u>\$ 48,606</u>

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,541,900	\$ 1,655,900	\$ 1,599,018	\$ (56,882)
Charges for Services	37,600	37,600	18,554	(19,046)
Miscellaneous	43,000	43,000	41,592	(1,408)
Interest	200	200	1,218	1,018
Total Revenues	<u>1,622,700</u>	<u>1,736,700</u>	<u>1,660,382</u>	<u>(76,318)</u>
EXPENDITURES				
Protection to Persons and Property	1,131,350	1,302,246	1,302,213	33
Debt Service	223,667	220,632	220,629	3
Administration	267,683	232,199	232,045	154
Total Expenditures	<u>1,622,700</u>	<u>1,755,077</u>	<u>1,754,887</u>	<u>190</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(18,377)</u>	<u>(94,505)</u>	<u>(76,127)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			176,433	176,433
Total Other Financing Sources (Uses)			<u>176,433</u>	<u>176,433</u>
Net Changes in Fund Balance		(18,377)	81,928	100,306
Adjustment to Beginning Fund Balance			976	976
Fund Balance - Beginning			<u>56,400</u>	<u>56,400</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (18,377)</u>	<u>\$ 139,304</u>	<u>\$ 157,682</u>

LARUE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of General Fund

Total Revenues - Budgetary Basis	\$ 2,490,305
Sheriff's Payments on Vehicle Lease	8,746
Lincoln Museum's Payment on Debt	165,000
LaRue Co Golf Association Payment on Debt	20,000
Insurance Recovery On Capital Asset	(30,000)
Total Revenues - Modified Cash Basis	<u>\$ 2,654,051</u>
 Total Expenditures - Budgetary Basis	 \$ 2,417,861
Debt Service:	
Sheriff's Vehicles Lease	8,746
Lincoln Museum Debt	165,000
LaRue Co Golf Association Debt	20,000
Total Expenditures - Modified Cash Basis	<u>\$ 2,611,607</u>
 Total Other Financing Sources (Uses) - Budgetary Basis	 \$ (137,475)
Insurance Recovery On Capital Asset	30,000
Total Other Financing Sources (Uses) - Modified Cash Basis	<u>\$ (107,475)</u>

Note 3. Reconciliation of Jail Fund

Total Expenditures - Budgetary Basis	\$ 1,754,887
Transfer to Courthouse Improvements Bond Fund	
For Debt Service	(207,866)
Total Expenditures - Modified Cash Basis	<u>\$ 1,547,021</u>
 Other Financing Sources(Uses) - Budgetary Basis	 \$ 176,433
Transfer to Courthouse Improvements Bond Fund	(207,866)
Total Other Financing Sources(Uses) - Modified Cash Basis	<u>\$ (31,433)</u>

LARUE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

LARUE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL
FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Courthouse Improvements Bond Fund 1999	Courthouse Improvements Bond Fund 1998	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1	\$	\$ 1
Total Assets	<u>1</u>	<u></u>	<u>1</u>
FUND BALANCES			
Unreserved:			
Debt Service Funds	<u>1</u>	<u></u>	<u>1</u>
Total Fund Balances	<u>\$ 1</u>	<u>\$</u>	<u>\$ 1</u>

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LARUE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

LARUE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Courthouse Improvements Bond Fund 1999	Courthouses Improvements Bond Fund 1998	Total Non-Major Governmental Funds
REVENUES			
Total Revenues	\$ 0	\$ 0	\$ 0
EXPENDITURES			
Debt Service	145,692	62,176	207,868
Total Expenditures	145,692	62,176	207,868
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(145,692)	(62,176)	(207,868)
Other Financing Sources (Uses)			
Transfers From Other Funds	145,691	62,175	207,866
Total Other Financing Sources (Uses)	145,691	62,175	207,866
Net Change in Fund Balances	(1)	(1)	(2)
Fund Balances - Beginning	2	1	3
Fund Balances - Ending	\$ 1	\$ 0	\$ 1

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 14, 2009. LaRue County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaRue County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LaRue County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LaRue County Fiscal Court's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether LaRue County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Larue County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

December 14, 2009

